GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1581
ANSWERED ON:02.12.2005
AGRAHANAYA SAKA CORRUPTION IN BANKS .
Chaudhary Shri Pankaj;Khan Shri Mohammad Tahir;Kushwaha Shri Narendra Kumar;Munshiram Shri ;Patle Shri Shishupal Natthu;Rawat Shri Ashok Kumar;Saroj Shri Tufani

Will the Minister of FINANCE be pleased to state:

:

(a) whether banks have been placed at he top position at present in the matter of corruption as reported in Rashtriya Sahara dated November 7, 2005 ;

(b) if so, the reasons therefor;

(c) whether some cases of corruption have been detected by the Central Vigilance Commission in the functioning of banking system during the last three years and till date;

(d) if so, the details thereof ;

(e) whether the Union Government has investigated the matter ;

(f) if so, the details thereof and the action taken thereon ;

(g) the number of fraud cases took place/detected, bank-wise, State-wise: and

(h) the details of guidelines issued in this regard by RBI ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE SHRI S.S. PALANIMANICKAM

(a)&(b) : Central Vigilance Commission (CVC) has reported that it has not made any categorization of corruption in various organizations. The report of Rashtriya Sahara is based on the annual report 2004 of the CVC wherein it is mentioned that major penalty has been imposed on 2510 employees (all categories) of banks during 2004.

(c), (d), (e) & (f) : Number of employees of banks under CVC`s jurisdiction, on which punishment has been imposed after detailed investigation and following prescribed procedure, during last three years, is as follows :

2002 - 1404
2003 - 2617
2004 - 2358

(g) The bank-wise details of frauds and amounts involved therein as reported by Public Sector Banks to RBI, during the years 2002, 2003, 2004 and 2005 (upto June) are in the Annexure. RBI has reported that their Fraud Monitoring Ceii compiles bank-wise information.

(h) Reserve Bank of India as a part of its supervisory responsibility has been advising banks from time to time about the common fraud prone areas and the msasures to be taken by them to prevent/reduce the incidence of frauds/ corruption in banks. To strengthen machinery in banks to prevent/reduce the incidence of frauds, RBI has, inter-alia, advised the banks to :-

Introduce a system of concurrent audit covering branches accounting for 50 percent of business (deposits plus advances).

Constitute Audit Committee of the Board of Directors, with a view to ensuring that the working of internal inspection and audit: machinery is monitored at the top most level in banks.

In order to give a focused attention by the Board on fraud prevention, to constitute a Special Committee of the Board for exclusive monitoring of large value frauds of Rs. 1 crore and`above.

review and refine the systems and procedures with regard to balancing of books, reconciliation of inter-branch accounts, review of the adequacy of the internal inspection/audit machinery am; control returns, visit to branches by officials of the controlling offices and to ensure that the warning signals do not go unnoticed.

Ensure more intensive screening of candidates at the time of recruitment.

Ensure clear demarcation of duties and responsibilities of employees and periodical rotation of staff within the branch and from one branch to another.

Initiate disciplinary action promptly and award exemplary and deterrent punishment to the delinquent employees.

Strictly comply with the recommendations of Mitra Committee on legal aspects of bank frauds.